

■ Earned Income Tax Credit Versus Child Tax Credit

Many low-income working families that qualify for the Earned Income Tax Credit (EITC) may also be eligible for the Child Tax Credit (CTC). Although there is overlap in eligible families, it's important to highlight the differences in eligibility rules and the procedures for claiming each credit.

The chart below calls attention to the differences between the EITC and CTC tax credits.

EITC	Eligibility Rules & Procedures	CTC
Use qualifying child rules in Publication 596.	Relationship	Use same rules as EITC.
Use qualifying child rules in Publication 596.	Age	Child must be younger than age 17 at the end of the year.
Child must live with the taxpayer in the United States for more than half of the year. This means the 50 states and the District of Columbia. It does not include U.S. possessions, such as Guam and Puerto Rico.	Residency with Child	Child must live in the United States, but there are no specific time requirements. There is no requirement that the child live with the taxpayer.
Not required.	Dependency Exemption	Taxpayer must be allowed a dependency exemption for the child.
<ul style="list-style-type: none"> Specific limits in income and investments; Earned income required; Adjusted Gross Income (AGI) can affect credit amount; For tax year 2006, military personnel with excludable combat zone compensation may elect to include it in earned income to meet income requirements. 	Income	<ul style="list-style-type: none"> Income limits higher than EITC limits; No investment income limit; Minimum \$11,300 taxable earned income to be entitled to refund; AGI used to determine income tax liability; Military personnel must include combat pay as earned income.
<ul style="list-style-type: none"> A valid Social Security number (SSN) is required of a taxpayer, spouse (if filing a joint return) and any qualifying child; ITINs and ATINs are not accepted. 	Immigration and SSN	<ul style="list-style-type: none"> Child must be U.S. citizen or resident alien; SSN, ITIN or ATIN are required for children.
<ul style="list-style-type: none"> Schedule EIC required for taxpayers with a qualifying child; (Includes child's birth date, SSN and information on child's relationship to taxpayer.) 	Forms	<ul style="list-style-type: none"> Form 8812, <i>Additional Child Tax Credit</i>, is required; See Publication 972 for more information.
EITC has no effect on most welfare benefits. In most cases, EITC payments will not be used to determine eligibility for Medicaid, supplemental security income (SSI), food stamps or low-income housing. Temporary Assistance for Needy Families (TANF) payments may be affected, depending on the state in which the taxpayer lives.	Effect on Other Public Benefits	CTC does not affect any federal, state or local program financed by federal funds. CTC refunds do not count against resource limits for the month of receipt and the following month.

Further details regarding EITC rules and qualifications can be found in IRS Publication 596, *Earned Income Credit*. EITC information and forms are available at www.irs.gov/eitc.